



## **DEVELOPMENT DISTRICTS FREQUENTLY ASKED QUESTIONS (FAQ)**

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### **Attachment A – Infrastructure Paid for by each Development District**

## **QUESTIONS AND ANSWERS**

### **1. What is a Development District?**

A Development District is a special taxing area for which the County issues bonds to finance the construction of public infrastructure (such as roads, parks, trails, etc.) in and near the District, and then levies Development District Special Taxes and Development District Special Assessments on properties in the district to generate revenues to pay the debt service on the bonds.

### **2. How does the County decide to form a Development District?**

The formation of a Development District requires the owners of property to petition the County to form the district, after which the County Council passes a resolution instructing the County Executive and other county agencies to review the district and determine its feasibility. After this review, the County Executive recommends to the County Council whether or not to form a district, its boundaries, what infrastructure should be financed by the district, and what Development District Special Taxes or Special Assessment rates would be necessary to support the financing. The County Council makes a final determination on whether or not to create the district, its boundaries, the infrastructure financed and the Development District Special Taxes and Special Assessments used to finance the infrastructure.

### **3. How do I know if my home or property is in a development district?**

Three development districts have been formed in the County, but bonds have been issued for only two districts, necessitating the billing of Development District Special Taxes. Those two districts are Kingsview Village Center and West Germantown, both in the Germantown area. You can look on your tax bill and see if there is a separate line labeled "Development District Special Tax." You may also see a separate line for "Development District Special Assessment." Please note that the line labeled "Special Area Taxes" on your tax bill is not development district taxes.

### **4. How many Development Districts have been established?**

There are currently two Development Districts in which taxes are levied. The Kingsview Village Center Development District was formed in 1998 and taxes were first levied in July 2000 and will continue until 2021. The West Germantown Development District was formed in January 1998 and taxes were first levied in July 2002 and will be levied until 2027.

A third Development District, for Clarksburg Town Center, was formed by County Council action in March 2003, but no bonds have been sold and therefore no Development District Special Taxes or Special Assessments have been levied.

Applications to create two more districts in Clarksburg have been filed: one for Clarksburg Village and one for Greenway Village (also known as Skylark Village or Arora Hills). These two districts are currently being reviewed by the County.

### **5. What are Development District Special Taxes?**

All of the real property in a Development District is subject to the Development District Special Tax, with the exception of exempt properties, property owned by a homeowners association, property for the exclusive use of public utility service providers, permanent open space, public road rights-of-way, storm drainage ponds, or other areas on which there will be no development for the purpose of making a profit.

The Development District Special Tax is the primary source of revenue from the district that is collected by the County and used to pay the debt service on the bonds issued for the district. The

Development District Special Tax is levied and collected, and is payable in the same manner, for the same period or periods, and with the same date or dates of finality as property taxes. All unpaid Development District Special Taxes are, until paid, a lien on the property which means that they are imposed from the date they become payable, and are subject to interest and penalties to the same extent as property taxes. The Development District Special Tax will be levied until the date all of the special obligation bonds have been fully repaid.

#### **6. How much Development District Special Tax will I be paying?**

If you live in the West Germantown or the Kingsview Village Center development district, then on your tax bill there is a separate line for Development District Special Taxes that shows the assessment on your property, the special tax rate for the development district, and the resulting tax amount. That amount is subject to change in future years, depending on debt service requirements and property valuations. If you live in Clarksburg, you are not currently paying a development district tax.

#### **7. What is a Development District Special Assessment?**

A Development District Special Assessment is an additional levy on commercial or undeveloped land that causes owners of those properties to pay their fair share of the amount needed to fund the development district, as compared to residential homeowners. Generally, only commercial or undeveloped land in a Development District is subject to a special assessment. The Development District Special Assessment is levied and collected in the same manner and with the same due dates as all real property taxes.

#### **8. How much Development District Special Assessment will I be paying?**

If you are in one of the two Germantown Development Districts and your property is not yet fully assessed, or it is commercial property, you may also see a separate line for the Development District Special Assessment. The assessment is calculated based on a rate per equivalent dwelling unit (EDU) multiplied by the number of EDUs assigned to your property. On this line, you will see the assessment of EDUs for your property, the assessment rate per EDU, and the resulting assessment amount.

#### **9. By what authority did the County create the development district and begin charging special taxes?**

Development Districts are authorized under Chapter 14 of the Montgomery County Code, adopted in November 1997. Chapter 14 specifies the process that the County must follow in creating development districts, issuing the bonds, and levying special taxes and assessments.

#### **10. I did not realize that I was in a development district. How was I informed? Do I need to inform future owners of my property that it is in a development district and must pay these extra taxes?**

Chapter 14 of the Montgomery County Code requires property owners in development districts to provide disclose to future buyers of the property. Section 14-17(a) reads as follows:

“A contract to sell real property must disclose to the initial buyer, and any later buyer during the life of any special assessment, special tax, fee, or charge authorized under this Chapter, the amount of any special assessment, special tax, fee, or charge which the buyer must pay. Any contract which does not disclose all items required by this Section is voidable at the option of the buyer before the date of settlement.”

In addition, the County Council notifies property owners in a proposed district before it holds a public hearing on the creation of the district

**11. My seller did not inform me that I was in a development district. How can I appeal the special tax?**

The Development District Special Tax cannot be appealed. However, if you believe your builder or the previous owner of your property did not comply with the disclosure provision above, you should contact the builder or previous owner for clarification.

**12. Who determines the list of infrastructure that will be funded for each district and how is it determined?**

A list of infrastructure to be financed is proposed by the developers when they petition for a district to be created. The list is reviewed by the Planning Board and the County Executive, and approved by the County Council when a district is formed. The Planning Board and the County Executive may recommend deletions or additions to the proposed list. The County Council must notify property owners and hold a public hearing before taking action to create a Development District.

**13. How long will I have to pay the special taxes and assessments?**

Development District Special Taxes and Special Assessments (as appropriate) will be levied until the bonds issued to pay for the infrastructure are paid off. For the West Germantown and Kingsview Village Center Development Districts for which bonds have been issued, taxes will be levied for 25 and 21 years, respectively.

**14. Why do property owners in a Development District pay Special Taxes and/or Special Assessments?**

The taxing methodology used for Development Districts provides for the imposition of an ad valorem tax, a "Development District Special Tax", on all real property located in the District and a "Development District Special Assessment" on undeveloped residential property located in the District at rates sufficient to pay the principal, interest or other related expenses ("Special Tax Requirement") incurred through the issuance of the special obligation bonds for the District.

**15. How does the County decide the rates for the taxes and assessments?**

When the County Council passes the resolution forming the district, it also approves a special taxing methodology for the district. The County follows this methodology each year when it determines the Development District Special Tax and Special Assessment rates. Basically, the County estimates the value of the district at full build-out, and sets the Development District Special Tax at a rate sufficient for the residential property in the district to pay its share of debt service when the district is fully built out. That rate is applied to the assessed value of all property and improvements in the district. For property that is not fully assessed (e.g., the full value of the land and improvements is not showing up yet on the tax bill), and for commercial property, the Development District Special Assessment is levied to make up the difference. For developed residential property, taxpayers should only see a Development District Special Tax. There may be some exceptions if the timing of the property transfer occurs between when the taxes are determined and when the tax bills are sent.

**CLARKSBURG DEVELOPMENT DISTRICTS**

**16. Are the development districts for Arora Hills/Greenway Village and Clarksburg Village already established?**

The Arora Hills/Greenway Village district and the Clarksburg Village district have been proposed, but not created. Arora Hills was originally called Skylark Village by the developers. Arora Hills, Greenway Village and Skylark Village are different names for the same area.

**17. How is it that a district could be approved such that one development pays for infrastructure that benefits the entire County, and why aren't all new homeowners paying these costs through taxes?**

Development districts were designed to enable growth to "pay for itself". Because the districts are voluntary on the part of the property owner/developer (petitioned by land owners), they are not applied to broad geographic areas. In the three Clarksburg districts (of which only the Clarksburg Town Center district has been created) the developers of the districts are the land owners that petitioned for the districts.

Note that even in the typical development process in Montgomery County, outside a development district, developers are required to build infrastructure, such as roads, that serves more than the individual development. The homebuyer in such a development pays for their share of the infrastructure costs in the price of their home.

**18. What is the current status for Arora Hills/Greenway Village and Clarksburg Village and what is the estimate of fees?**

The development district proposals for these areas are under consideration by the County Executive. There has not been a final recommendation for the amount of fees or taxes that would be charged.

The tax rate would be the same for all residential property in the district, but like other ad valorem taxes, the amount paid would vary according to the assessed value of the home. The County's policy has been to set the tax rate such that the average single family home would pay roughly \$1,200 in FY03 dollars. If the bonds were issued in the spring of 2007, the average amount for that year's tax bills would be roughly \$1,250. Townhouses and multifamily units would pay less. The amount that would be paid has increased due to inflation since FY03. The special taxes would last about 25 years, which is how long it will take to pay off the bonds that finance the infrastructure.

**GERMANTOWN DEVELOPMENT DISTRICTS**

**19. Why am I paying West Germantown Development District taxes when my address is in Boyds?**

The West Germantown Development District was created in the West Germantown Policy Area of the Germantown Master Plan Area. The U.S. Postal Service decided to assign the homes in the district to the Boyds Post Office service area.

**20. I live in one of the Germantown development districts. When will I stop having to pay Special Taxes?**

The West Germantown bonds will be paid off in 2027 and the Kingsview Village Center bonds will be paid off in 2021. When the bonds are paid off there will be no further Development District Special Taxes.

<u>Tax Class</u>	<u>Development District</u>	<u>Bond Maturity Date</u>
R061	Kingsview Village Center	2021
R064	West Germantown	2027

## **Attachment A – Infrastructure Paid for by each Development District**

### **Infrastructure paid for by Kingsview Village Center Development District**

Leaman Farm Road  
Improvements to Clopper Road  
Great Seneca Highway intersection improvement  
Kingsview Village Avenue

### **Infrastructure paid for by West Germantown Development District**

Richter Farm Road  
Schaefer Road Improvements  
Waste Water Pumping Station and Force Main  
King's Crossing Local Park  
Hoyle's Mill Local Park

### **Infrastructure to be paid for by Clarksburg Town Center Development District**

Note: This is the list approved by the County Council in March 2003. Since then the developers have reduced the number of residential units to be constructed, which may cause the County to reduce the amount of infrastructure for which the developers are reimbursed.

Improvements to Stringtown Road  
Portion of Stringtown Road Extended  
Piedmont Road  
Clarksburg Road  
Safety improvement: MD 355 at Stringtown Road  
Water Main  
Greenway Trails  
Portion of the future library/civic center

### **Infrastructure to be paid for by Greenway Village (aka Skylark Village or Arora Hills) Development District**

Still under review

### **Infrastructure to be paid for by Clarksburg Village Development District**

Still under review